**DEFENSE LOGISTICS AGENCY**
THE DEFENSE CONTRACT MANAGEMENT COMMAND
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IN REPLY REFER TO AQO

JUN 20 1997

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (ACQUISITION AND TECHNOLOGY)
PRINCIPAL DEPUTY UNDER SECRETARY OF DEFENSE (ACQUISITION AND TECHNOLOGY)
DIRECTOR, DEFENSE PROCUREMENT
DEPUTY UNDER SECRETARY OF DEFENSE (ACQUISITION REFORM)
ASSISTANT SECRETARY OF THE ARMY (RESEARCH, DEVELOPMENT AND ACQUISITION)
ASSISTANT SECRETARY OF THE NAVY (RESEARCH, DEVELOPMENT AND ACQUISITION)
ASSISTANT SECRETARY OF THE AIR FORCE (ACQUISITION)
DIRECTOR, BALLISTIC MISSILE DEFENSE ORGANIZATION

SUBJECT: Single Process Initiative (SPI) Biweekly Activity Report

Forwarded for your review is our biweekly report for the period ending June 20, 1997. This report contains information on refining our data analysis techniques for capturing cost benefits and for more effective program management. It also highlights a newly commissioned pollution prevention initiative that is closely linked to SPI. Other areas of interest are covered as well.

Should you have any questions or concerns regarding information contained in the attached documents, please contact Ms. Marialane Schultz, SPI/Block Change Management Team Leader at (703) 767-2471.

GARY S. THURBER
Deputy

Attachment

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# *Single Process Initiative*
# *Biweekly Report*
### *June 20, 1997*

Introduction

Data analysis is proving to be extremely important to our efforts to foster Single Process Initiative (SPI) participation and benefits. We are refining our data analysis techniques to enhance our marketing efforts both in targeting contractors and targeting processes. We are also relying on data analysis to provide better measurement of SPI benefits. This report introduces a new acquisition pollution prevention initiative that is closely linked to SPI. Finally, this report highlights indications from industry about a perceived decrease in DoD's commitment to SPI.

Statistics

Thirty-one new block change modifications were executed by our Administrative Contracting Officers; three new contractor facilities joined the program; and 18 new processes were submitted since our last report. The statistics summarized below reflect current SPI activity levels.

| | |
|---|---|
| Contractor Facilities | 199 |
| Processes Submitted | 914 |
| Processes Modified | 481 |
| Negotiated Cost Savings | $ 7.4 million |
| Estimated Annual Cost Avoidance | $72.6 million |
| Average Cycle-Time | 133 |

The average cycle-time for processing contractor concepts has increased by three days. This is due to the completion of many proposed process changes that had aged beyond the 120 day goal. We had expected this outcome because of our recent emphasis on reducing aging concept papers, where appropriate, to maintain SPI's streamlined process. Additionally, a downward adjustment was made to estimated annual cost avoidance resulting from amounts incorrectly categorized as annual versus extended cost avoidance in weekly SPI reports received from our Contract Administration Offices (CAOs). It should be noted that cost benefit information collected to date on already modified concepts is still incomplete. We estimate over ninety percent of the data has been captured so far.

Appendices A, B, and C contain summary information on SPI activity and details on modifications executed during the current reporting period. Appendix D provides details on new contractors participating in the program and new concept papers submitted since our last report. It also provides a list of company name changes resulting from recent acquisitions and consolidations; SPI activities remain unchanged at these facilities.

Increasing Participation

In our earlier reports, we have highlighted an objective to increase contractor participation, particularly among corporations accounting for the majority of defense dollars. The goal is to channel SPI efforts toward high payback areas. Currently, 63 percent of the 199 contractor facilities now engaged in SPI represent over 30 of the top defense corporations. The number is growing largely due to grass roots outreach efforts conducted by the military services and our CAOs in Defense Contract Management

District West (DCMDW)(see June 6, 1997 biweekly report for more details). These marketing outreach efforts have been based on business base analysis to develop contractor profiles, potential improvement opportunities at a given facility, and contractor ranking in terms of potential impact/return on investment. For example, during the last quarter we stepped up our marketing efforts, resulting in over 20 new contractor facilities joining the program. Twenty-four additional Management Councils have been established in DCMDW alone to pursue improvements. We intend to further refine and expand this approach throughout DCMC.

Measuring SPI Benefits

In October of last year, we began collecting cost benefit data, which is compiled and reflected in the statistics portion of this report. We plan to review this data to learn more about high paybacks already achieved under SPI. The goal is to use this information to enhance our marketing and awareness efforts with hard hitting examples of process changes which realize the returns originally envisioned when SPI was introduced. To begin, we are summarizing the top ten cost reducing processes implemented under SPI and, where possible, tying those benefits back to specific programs. Since much of this information may be proprietary due to its link to programs, contractors, and cost savings, it will be reported via channels other than the SPI biweekly reports. More to come on measuring SPI benefits.

Packaging

As mentioned in the last biweekly report, the SPI team is placing greater emphasis on proposals dealing with packaging issues. On June 11, 1997, Mr. David Robertson, HQ DCMC SPI Team, met with Ms. LeAntha Sumpter, OSD Acquisition Reform, and representatives from the DoD packaging community to discuss facilitating acceptance of packaging changes proposed under SPI. The meeting was extremely productive and identified a significant barrier to implementing commercial packaging on existing DoD contracts. Although, MIL-STD-2073-1C (issued November 1996) accommodates the use of commercial packaging, the funds needed to update the Military Services' and DLA's automated packaging requirements systems have not been available. The meeting participants are developing an estimate of the funds required to make the needed system updates and a recommended course of action. More will be provided on this issue as it evolves.

Acquisition Pollution Prevention Initiative (AP2I)

On May 15, 1997, Mr. Longuemare, DUSD(A&T) commissioned AP2I and directed DCMC take the lead for its implementation. The purpose of AP2I is to facilitate the reduction or elimination of hazardous materials (HAZMATs) from weapons system design, manufacturing, and logistic sustainment processes. It uses the Management Council as a forum for discussions and coordinating environmentally focused process improvement activities. It maintains and improves the link between the SPI and Joint Group on Acquisition Pollution Prevention (JG-APP) partnerships. The AP2I process is similar to the SPI process except it extends the 120 day SPI target to 420 days in recognition of a Development Phase for preparing a test protocol and business plan, and a Validation Phase for testing and reporting alternatives.

Featured Facility: Hughes Missile Systems Company

Hughes Missile Systems Company (Hughes Tucson) is located in Tucson, Arizona. The company designs, manufactures and services tactical missiles and missile subassemblies with the expertise of approximately 7,500 employees. Their major customers include the Army, Navy and Air Force, representing 16.8, 49.4 and 33.6 percent of the company's total business base, respectively. Over 1,100 DoD contracts valued at $25 billion are currently active at the facility. In addition to Hughes Tucson's prime contract work, the company serves as a major subcontractor to other missile manufacturers both domestically and internationally.

Hughes Tucson has executed block change modifications revising 19 technical processes. DCAA projects these changes will result in instant savings of over $3 million and annual cost avoidance of over $4.5 million. One of the more notable SPI successes at the Hughes Tucson facility is a revision to the company's Hybrid Microelectronics Assembly Process. A single performance based specification replaced over 50 different assembly, test, and procurement specifications governing this process. The standard hour work content for performing a microelectronics test was decreased by 67 percent, and one assembly task was reduced by over 12 percent, resulting in instant savings of $747,000 and annual cost avoidance in excess of $1 million. Several other similar innovations are being pursued by the local Management Council.

Areas of Concern

- During discussions in various forums, we have noted indications that industry perceives SPI no longer has the commitment it once had from the Department. This appears to be related to the recent or pending departure of key SPI advocates within the Office of the Secretary of Defense (OSD) and Defense Contract Management Command (DCMC). Some industry representatives question whether they should continue investing in the program due to these uncertainties. We are working on two targets of opportunity for the newly appointed OSD and DCMC leaders to reinforce their commitment to the program. These opportunities are two major SPI conferences in the fall--one in Arlington, VA in October and one in Phoenix, AZ in November.

- We are still concerned that Component Team Leader (CTL) support has lessened within certain program offices due to funding constraints and other workload priorities. We are looking at ways to incentivize program office to continue their participation. Our push to highlight the top ten cost reducing SPI processes should facilitate our efforts.

Enhancing Awareness/Increasing Involvement

- On May 22, 1997, Mr. Syd Pope, HQ DCMC SPI Team, participated in a Joint Industry Conference (JIC) planning meeting with representatives from the Aerospace Industries Association, Electronic Industries Association, and OSD. Other industry associations are expected to joint the JIC planning group. The theme for this year's conference is SPI. The conference is tentatively scheduled for October 28-30, 1997 at the Sheraton National Hotel in Arlington, VA. The panels and workshops will cover SPI topics such as high payoff processes, subcontractor SPIs, the role of Management Councils, and consideration. This will be a very important conference for promoting SPI and expanding the role of Management Councils.

- On June 17, 1997, Mr. David Robertson, HQ DCMC SPI Team, and Mr. William Evans, Defense Contract Management District International (DCMDI) briefed the Defense Fuels Supply Center (DFSC) Commander and staff on SPI and Management Councils. The purpose of the presentation was to provide DFSC with an overview of how these tools can facilitate improvements, such as reducing or streamlining site inspections. For example, DCMDI Quality Assurance Representatives (QARs) are currently required to inspect each "Into-Plane" contract site every six months. This is done even at locations currently used by major airlines where past quality performance is well established. By reducing site inspections where risks are low and past performance is excellent, DCMDI estimates immediate savings of $135,000 in FY 98 in travel costs alone. More importantly, DCMDI QARs would be able to focus greater attention on fuel sites that represent higher safety and quality risks. While this example reduces DCMDI operational costs, we believe other opportunities for substantial savings also exist in DoD fuel procurement (during FY 96, DFSC managed over $3.7 billion in DoD fuel purchases). DFSC is looking into the most effective use of SPI and Management Councils.

- On June 17, 1997, Ms. Marialane Schultz, HQ DCMC Team participated in a panel discussion at the American Defense Preparedness Association/National Security Industrial Association Symposium in Phoenix, Arizona. Providing industry perspectives during the panel were Mr. Frank S. Goodell, Director of Continuous Quality Improvement, Boeing Defense & Space Group and Mr. Dave McDearmont, Program Manager, Affordability Initiatives, Texas Instruments Defense Systems & Electronics. The theme of the symposium was "Technical Information: Key to Success in the 21st Century" which fit naturally with many of the improvements brought about by SPI. The panel session addressed how SPI and Block Changes are being used to implement the principles of Acquisition Reform on existing military contracts, focusing on the impact to technical data requirements.

## Concluding Remarks

Marketing SPI using valid demographics data has proven to be highly effective. In the coming months, we will work to expand targeted marketing throughout DCMC. Data analysis is being used to learn more about high payback areas already achieved under SPI and to link SPI results to program acquisition costs where possible. There is a continuing need to stay focused on those areas offering best return on investment and to reinforce DoD's commitment to the program.

# Appendix Index

# APPENDIX A

# Summary Report

as of: *Thursday, Jun 19, 1997*

**Concept Papers**

| | |
|---|---|
| **Contractors Which Have Submitted Concept Papers:** | **199** |
| **Key Customer Notification Complete:** | 158 |
| **Component Team Leaders Identified:** | 126 |
| **Total Concept Papers Received:** | 838 |
| **Concept Papers Withdrawn:** | 135 |

**PROCESSES**

***Concept papers may contain multiple processes***

**Proposal Development: Concept Paper (30 Days)**

| | |
|---|---|
| ***Total Proposed Process Changes:*** | ***914*** |
| **Number Initially Accepted :** | 832 |
| **Not Accepted Within 30 Days of Initial Submission:** | 42 |

**Approval Cycle: Customer Notification and Agreement/ Resolution of Differences (60 days)**

| | |
|---|---|
| **Found Technically Acceptable:** | 584 |
| **Found Unacceptable:** | 32 |

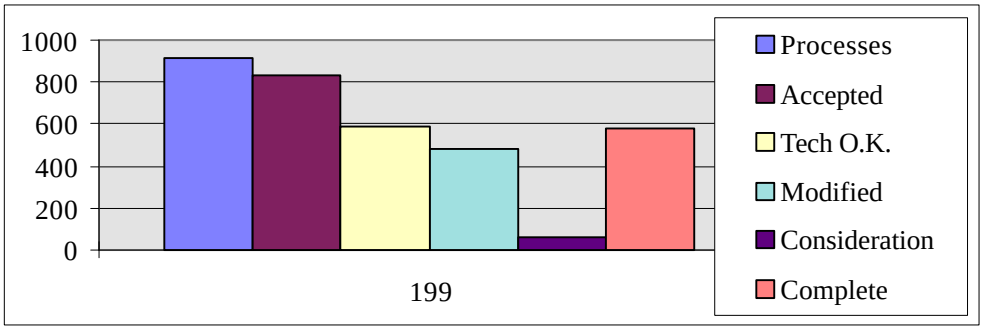
***Components objecting***

| AF | Army | Navy | DLA | DCMC | NASA |
|---|---|---|---|---|---|
| 16 | 18 | 23 | 4 | 17 | 2 |

| | |
|---|---|
| **Disagreements/Problems Escalated:** | 1 |
| **Not approved within 60 days of Mgt Cncl Acceptance:** | 93 |

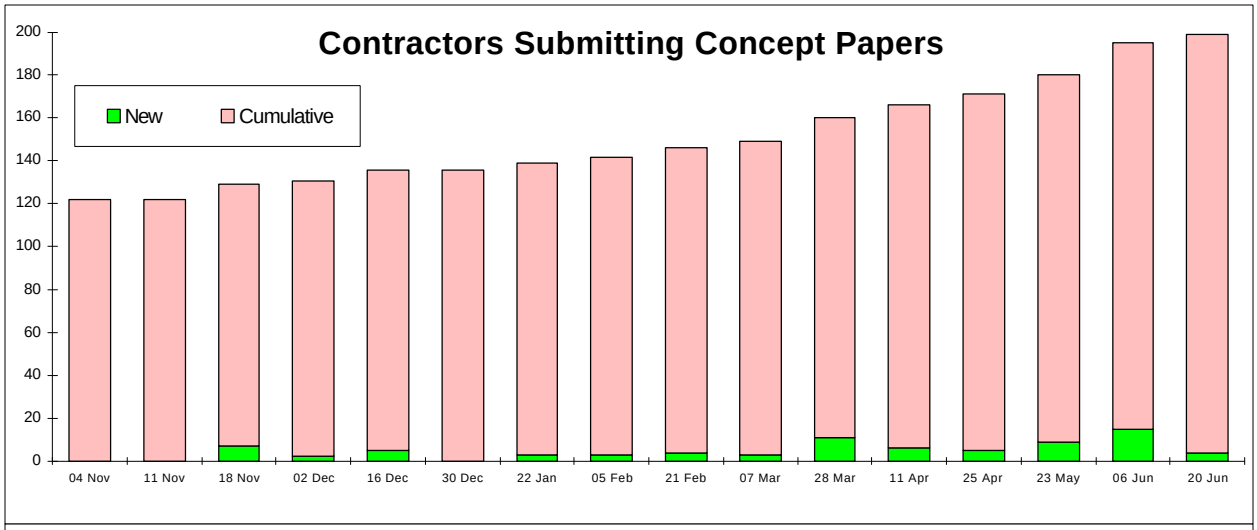
**Modification Issuance: Negotiation of Consideration (30 Days)**

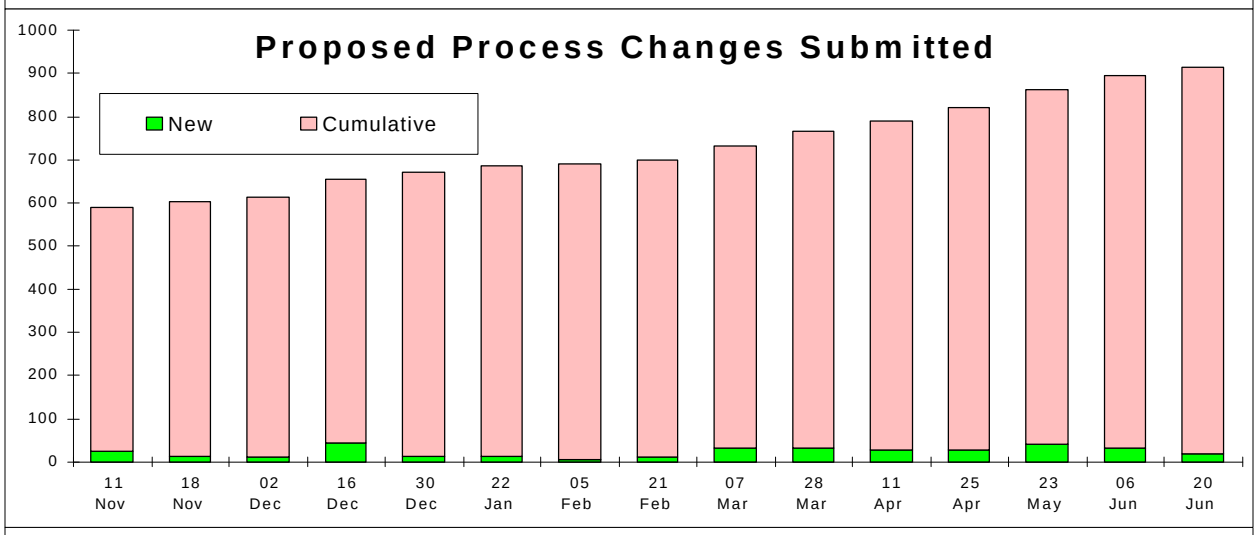
| | |
|---|---|
| **Processes Modified:** | **481** |
| **Not Modified within 30 days after Tech Acceptance:** | 26 |
| **Average Days From Submittal to Mod:** | 133 |
| **Consideration Requested by Government:** | 59 |
| **Cost Proposals Received:** | 46 |
| **Consideration Finalized:** | 24 |
| **All Actions Complete:** | **581** |
| **Currently Active:** | **333** |

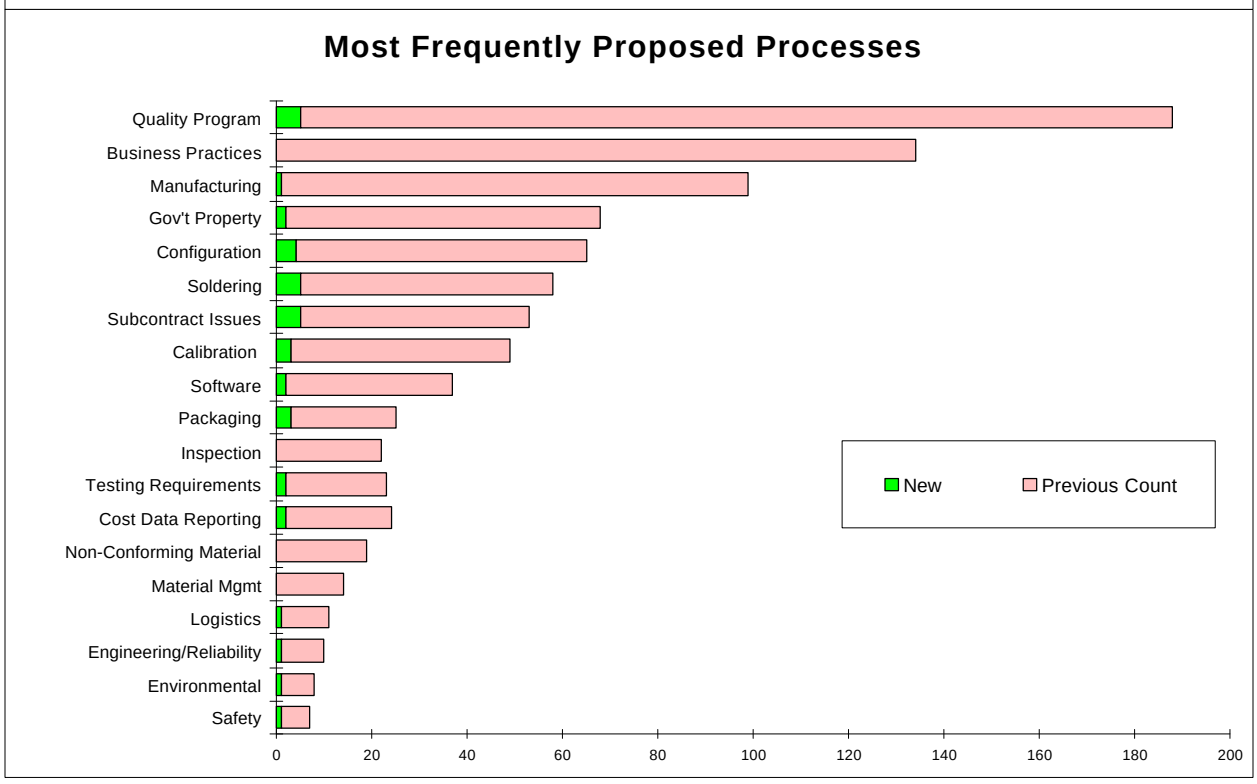



Appendix A

# APPENDIX B


Contractors Submitting Concept Papers
New
Cumulative
200
180
160
140
120
100
80
60
40
20
0
04 Nov
11 Nov
18 Nov
02 Dec
16 Dec
30 Dec
22 Jan
05 Feb
21 Feb
07 Mar
28 Mar
11 Apr
25 Apr
23 May
06 Jun
20 Jun


Proposed Process Changes Submitted
New
Cumulative
1000
900
800
700
600
500
400
300
200
100
0
11 Nov
18 Nov
02 Dec
16 Dec
30 Dec
22 Jan
05 Feb
21 Feb
07 Mar
28 Mar
11 Apr
25 Apr
23 May
06 Jun
20 Jun


Most Frequently Proposed Processes
Quality Program
Business Practices
Manufacturing
Gov't Property
Configuration
Soldering
Subcontract Issues
Calibration
Software
Packaging
Inspection
Testing Requirements
Cost Data Reporting
Non-Conforming Material
Material Mgmt
Logistics
Engineering/Reliability
Environmental
Safety
New
Previous Count
0
20
40
60
80
100
120
140
160
180
200

Appendix B

# APPENDIX C

## *Details on Block Change Modifications Completed During this Reporting Period*

| Contractor | Old Process | New Process |
|---|---|---|
| Allison Engine Company, Indianapolis, IN | DOD-STD-2167A/-2168 | Contractor's S/W Development Process |
| B.F. Goodrich Aerospace, Vergennes, VT | MIL-STD-45662 Calibration Systems Reqmts | ISO-90012-1 Quality Assurance Reqmts for Measuring Equipment |
| Boeing N. American, Aircraft Div. (NAAD), Seal Beach, CA | MIL-STD-785, Reliability | KTRs Internal Reliability Process |
| Boeing Defense & Space Group, Product Support Division, Wichita, KS | MIL-STD-965B, Parts Control<br>Config control of Hardware Dwgs<br>MIL-P-55110, Manufacture, printed wiring boards | Internal Boeing processes<br>Corporate substitution document at highest level<br>Best commercial practices |
| Boeing Defense & Space Group, Huntsville, AL | Contractor Billing Reqmts | Direct Submittal of Vouchers to DFAS |
| Boeing Defense & Space Group, Seattle, WA | MIL-P-55110, Manufacture, printed wiring boards<br>Config control of Hardware Dwgs<br>Various MIL SPECs | Best commercial practices<br>Corporate substitution document at highest level<br>Common Parts Control |
| G.E. Aircraft Engines, Cincinnati, OH; Lynn, MA; Arkansas City (Strother Field), KS | ARP (AS) 1055 Fire testing of hoses | Contractor process |
| GEC-Marconi, Wayne, NJ | MIL-STD-965 | ISO-9001 based Quality System |
| General Dynamics Defense Systems (GDDS), Pittsfield, MA | MIL-I-45208, OD21549<br>MIL-STD-45662 | ISO-9001 based Quality System<br>ISO-10012 Calibration |
| Gulton Statham Transducers Inc., Costa Mesa, CA | MIL-Q-9858A | ISO-9001 Based Quality System |
| Hamilton Standard Division of UTC, Windsor Locks, CT | MIL-STD-480, 483, 973 | ISO-9001 Based Quality System (Section 4.4, Design Control) |
| Hughes Aircraft Mississippi, Inc., Forest, MS | MIL-STD-2000A, Soldering Reqmts | ANSI/J-STD-001A Industry Soldering Standard |

## *Details on Block Change Modifications Completed During this Reporting Period (Cont)*

| Contractor | Old Process | New Process |
|---|---|---|
| Lockheed Martin Electro-Optical Systems, Pomona, CA | MIL-STD-130 Marking of Printed Circuit Board & Assemblies | Contractor's Specification (LMPS 10.805) |
| Lockheed Martin Federal Systems, Manassas, VA | MIL-Q-9858A, MIL-I-45208, DOD-STD-2168 | ISO-9001 based Quality Mgmt System |
| Lockheed Martin Tactical Aircraft Systems, Ft. Worth, TX | MIL-STD-965 | Ktr's Internal Parts Control Process |
| McDonnell Douglas Corporation, St. Louis, MO | FAR 4.804-5 and Public Law 101-510 (Nov 90) | Accelerated Contract Closeout |
| Northrop Grumman Electronic Warfare Systems, Rolling Meadows, IL | MIL-P-50884/55110, MIL-STD-275<br>MIL-M-38535/38510/38534, MIL-STD-1772 | Industry STD IPC/RB-276 & IPC/RF-245<br>Best Value Mfg Plan approach/process |
| Northrop Grumman ESID & SBMS, Bethpage, NY | MIL-Q-9858 Quality | ISO-9001 based Quality System |
| Rockwell - Collins Avionics and Communications Div., Cedar Rapids, IA | FAR Part 44, Contractor Purchasing System Review (CPSR) | Use CRAG Internal audit process |
| Sechan Electronics, Inc., Lititz, PA | MIL-Q-9858A, MIL-I-45208 | ISO-9002 based Quality System |
| Snap-Tite Inc., Union City, PA | MIL-I-45208A<br>MIL-STD-45662A | ISO-9001 based Quality System<br>ISO-10012-1, Calibration |
| Sundstrand, Rockford, IL | MIL-STD-9868<br>MIL-STD-973, DCMC 100% Class II ECP Review | ANSI/AIIM MS23, Microfilm<br>DCMC Sampled Review of Class II ECPs |
| TRW Avionics Systems Division, San Diego, CA | Contractor Billing Reqmts | Direct Submittal of Vouchers to DFAS |

# APPENDIX D

## *Details on New Contractors During this Reporting Period*

| **Contractor** | **Old Process** | **New Process** |
|---|---|---|
| Fidelity Technologies Corp., Reading, PA | MIL-STD-45662A Calibration Systems | ISO-10012-1:1992(E) |
| Manchester Tank, Elkhart, IN | MIL-T-704 & MIL-E-52891, Pretreating, painting, and enamel finish coat | Contractor's commercial painting process |
| Northrop Grumman Corp., St. Augustine, FL | MIL-STD-2073/-129/-1189, Military Packaging and Bar Coding | ASTMD-3951, STD Commercial Packaging and Bar Coding |
| Sperry Marine, Inc., Charlottesville, VA | FAR 52.219-9, Annual Business Plan | Submit contractor's small disadvantaged business/subcontracting goals, annually |
| TRW Avionics Systems Division, San Diego, CA | Contractor Billing Reqmts | Direct Submittal of Vouchers to DFAS |

## *Company Acquisitions: New Contractor Names, Same SPI Efforts*

| **New Contractor Name** | **Former Contractor Name(s)** |
|---|---|
| Boeing N. American, Autonetics & Missile Sys Div. (A&MSD), Duluth, GA | Rockwell International Corporation, Duluth, GA |
| Boeing N. American, Comm & Information Mgmt Sys Div. (C&IMD), Anaheim, CA | Boeing N. American, Comm & Combat Systems Div. (C&CSD), Anaheim, CA |
| L-3 Communications, Communications Systems-East, Camden, NJ | Lockheed Martin Government Communications Systems, Camden, NJ |
| L-3 Communications, Communications Systems-West, Salt Lake City, UT | Lockheed Martin Tactical Communications Systems, Salt Lake City, UT |
| TRW Systems Integration Group (SIG), Dominguez Hills, CA (Consolidation) | TRW System Integration Group (SIG), Redondo Beach, CA |